

CITY OF POSTVILLE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2012

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City of Postville

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2012)		
Leigh Rekow	Mayor	Jan 2015
Ross Malcom	Mayor Pro term	Jan 2012
Jason Meyer	Council Member	Jan 2012
Larry Moore	Council Member	Jan 2012
Virginia Medberry*	Council Member	Jan 2015
Robert Fadness	Council Member	Jan 2015
Darcy Radloff	Clerk	Indefinite
Kevin Cronk	Treasurer	Indefinite
Anne Loomis	Attorney	Indefinite
(After January 2012)		
Leigh Rekow	Mayor	Jan 2015
Ross Malcom	Mayor Pro term	Jan 2017
Dawn Hernandez	Council Member	Jan 2015
Robert Fadness	Council Member	Jan 2015
Jason Meyer	Council Member	Jan 2017
Larry Moore	Council Member	Jan 2017
Darcy Radloff	Clerk	Indefinite
Kevin Cronk	Treasurer	Indefinite
Anne Loomis	Attorney	Indefinite

*Resigned in October 2011.

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Postville, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Postville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements referred to above include only the primary government of the City of Postville, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component unit, which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Postville as of June 30, 2012, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Postville as of June 30, 2012, and the respective changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

The City's General Fund deficit decreased to \$437,969 at June 30, 2012, a decrease of \$124,893 during the year ended June 30, 2012. The deficit is approximately 42% of the City's recurring General Fund receipts of \$1,046,019 during the year ended June 30, 2012. The City will continue to monitor and reduce disbursements as possible to return the fund to a positive account balance.

In accordance with Government Auditing Standards, we have also issued our report dated November 9, 2012 on our consideration of the City of Postville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Postville's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2011 (which is not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the eight years ending June 30, 2010 (which are not presented herein), were audited by other auditors whose reports expressed unqualified opinions on financial statements from 2003-2010, which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the primary government financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Postville's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 9 and 25 through 27 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Lou Ann Murphy & Company, P.L.L.C.
Certified Public Accountant
Osage, Iowa
November 9, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Postville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 1.4%, or approximately \$30,000, from fiscal year 2011 to fiscal year 2012. Operating grants, contributions and restricted interest decreased approximately \$120,000. Capital grants, contributions, and restricted interest increased approximately \$125,000 and property tax increased approximately \$52,000 due to collections on delinquent accounts.
- Disbursements of the City's governmental activities decreased 26.2%, or approximately \$630,000 in fiscal year 2012 from fiscal year 2011. Public works decreased approximately \$188,000, Culture and Recreation decreased approximately \$193,000, and Community and economic development decreased approximately \$183,000.
- The City's total cash basis net assets increased 26.1%, or approximately \$539,000 from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased approximately \$287,000 and the assets of the business type activities increased approximately \$252,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water and the sanitary sewer systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales Tax, and Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

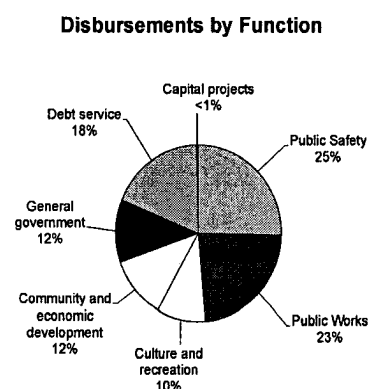
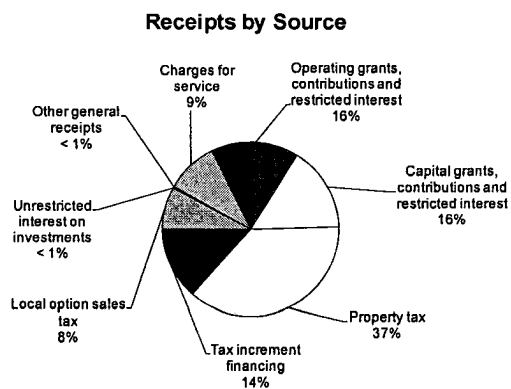
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for water, sewer, lagoon and storm water utility operations. The Water and Sewer Funds are considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$(240,173) to \$47,329. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2012	2011
Receipts		
Program receipts:		
Charges for service	\$ 196	\$ 212
Operating grants, contributions and restricted interest	328	448
Capital grants, contributions and restricted interest	324	199
General receipts:		
Property tax	759	707
Tax increment financing	281	274
Local option sales tax	163	237
Unrestricted interest on investments	4	5
Other general receipts	4	7
Total receipts	2,059	2,089
Disbursements		
Public safety	449	446
Public works	413	601
Culture and recreation	167	360
Community and economic development	204	387
General government	207	255
Debt service	326	326
Capital projects	6	27
Total disbursements	1,772	2,402
Changes in cash basis net assets	287	(313)
Cash basis net assets beginning of year	(240)	73
Cash basis net assets end of year	\$ 47	\$ (240)



The City's total receipts for governmental activities decreased 1.4%, or approximately \$30,000. The total cost of all programs and services decreased approximately \$630,000, or 26.2%. The significant decrease was due to the continued effort to reduce the deficit in the governmental activities funds.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2012	2011
Receipts		
Program receipts:		
Charges for service		
Water	\$ 549	\$ 597
Sewer	829	772
Lagoon	-	-
Storm water utility	35	35
General receipts:		
Unrestricted interests in investments	9	13
Total receipts	1,422	1,417
Disbursements		
Water	534	499
Sewer	625	604
Storm water utility	11	5
Total disbursements	1,170	1,108
Changes in cash basis net assets	252	309
Cash basis net assets beginning of year	2,309	2,000
Cash basis net assets end of year	\$ 2,561	\$ 2,309

Total business type activities receipts for fiscal year 2012 were approximately \$1,422,000 compared to approximately \$1,417,000 last year. This increase was due primarily to the City collection on utility assessments from the prior year. The cash balance increased approximately \$252,000 from the prior year, primarily due to decreases in delinquent accounts with the City. Total disbursements for the fiscal year increased approximately \$62,000 to a total of approximately \$1,170,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Postville completed the year, its governmental funds reported a combined fund balance of \$47,329 an increase of \$287,502 from last year's total of \$(240,173). The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$124,893 from the prior year to a deficit balance of \$437,969. Total receipts increased 2% and total disbursements decreased 29%. Property tax receipts increased \$4,070, intergovernmental receipts increased \$124,421 and miscellaneous receipts decreased \$81,383. Culture and recreation disbursements decreased \$193,043 and Community and economic development disbursements decreased \$117,100.

- The Special Revenue, Road Use Tax Fund cash balance increased \$42,110 to \$153,011. The increase was due primarily to a decrease in public works disbursements.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$31,216 to \$214,759. The increase was primarily due to increases in public works disbursements.
- The Special Revenue, Tax Increment Financing Fund cash balance increased \$13,992 to a deficit balance of \$45,722. The increase is primarily due to receipts exceeding transfers out.
- The Debt Service Fund cash balance increased \$21,079 during the fiscal year to \$22,076.
- The Capital Projects Fund cash balance increased \$49,454 to \$184,158.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund was established to accumulate funds to be used for water management and capital projects. During the fiscal year, the cash balance increased \$21,055 to \$1,046,291. The increase is primarily due to collection of delinquent utility charges.
- The Sewer Fund cash balance increased \$206,294 to \$1,327,043. The increase is primarily due to an increase in miscellaneous receipts.

BUDGETARY HIGHLIGHTS

The City of Postville did not amend their budget during the year nor did they exceed the budgeted limits for expenditures.

DEBT ADMINISTRATION

At June 30, 2012, the City had \$7,079,248 in bonds, notes and other long-term debt outstanding, compared to \$7,686,096 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2012	2011
General obligation refunding bonds	\$ 770,000	\$ 905,000
General obligation notes	595,000	700,000
Child care facility revenue notes	274,330	278,521
Water revenue notes	1,400,000	1,500,000
Sewer revenue notes	3,983,748	4,216,544
Street lighting lease purchase agreement	56,170	86,031
Total	<u>\$ 7,079,248</u>	<u>\$ 7,686,096</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all property within the City's corporate limits. The City's outstanding general obligation debt of \$1,421,170 is below its constitutional debt limit of \$4,315,431. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Postville's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees charged for various City services. One of these factors is the economy. The City has been successful in rehabilitating housing with First Time Homebuyer Grant funding. With increased cash flow in business activities infrastructure projects are a priority for fiscal year 2013. The City budget reflects minimal operations in governmental activities. Amounts appropriated in the operating budget are \$4,052,563.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Darcy Radloff, City Clerk, 147 N. Lawler St., P.O. Box 242, Postville, Iowa 52162-0242.

City of Postville

City of Postville

Statement of Activities and Net Assets-Cash Basis

As of and for the year ended June 30, 2012

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 448,676	15,889	18,013	-
Public works	412,474	137,029	211,233	-
Culture and recreation	167,412	27,206	33,366	-
Community and economic development	204,273	-	-	324,108
General government	207,019	16,171	9,829	-
Debt service	325,897	-	-	-
Capital projects	5,883	-	55,337	-
Total governmental activities	1,771,634	196,295	327,778	324,108
Business type activities:				
Water	534,103	549,211	-	-
Sewer	625,565	828,671	-	-
Storm water utility	11,160	35,058	-	-
Total business type activities	1,170,828	1,412,940	-	-
Total	\$ 2,942,462	1,609,235	327,778	324,108
General Receipts:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Expendable:				
Streets				
Safety				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
Governmental Activities	Business Type Activities		Total
(414,774)	-	\$	(414,774)
(64,212)	-		(64,212)
(106,840)	-		(106,840)
119,835	-		119,835
(181,019)	-		(181,019)
(325,897)	-		(325,897)
49,454	-		49,454
(923,453)	-		(923,453)
-	15,108		15,108
-	203,106		203,106
-	23,898		23,898
-	242,112		242,112
(923,453)	242,112	\$	(681,341)
\$ 679,302	-	\$	679,302
79,976	-		79,976
280,992	-		280,992
162,619	-		162,619
3,766	9,135		12,901
4,300	-		4,300
1,210,955	9,135		1,220,090
287,502	251,247		538,749
(240,173)	2,309,797		2,069,624
\$ 47,329	2,561,044	\$	2,608,373
\$ 260,390	-	\$	260,390
107,380	-		107,380
39,176			39,176
167,058	574,782		741,840
(526,675)	1,986,262		1,459,587
\$ 47,329	2,561,044	\$	2,608,373

City of Postville

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Government Funds

As of and for the year ended June 30, 2012

	Special Revenue			
	General	Road Use Tax	Local Option Sales Tax	Tax Increment Financing
Receipts:				
Property tax	\$ 459,618	-	-	-
Tax increment financing	-	-	-	280,992
Local option sales tax	-	-	162,619	-
Other city tax	1,452	-	-	-
Licenses and permits	5,471	-	-	-
Use of money and property	2,938	-	-	-
Intergovernmental	327,274	211,233	-	-
Charges for service	173,350	-	-	-
Special assessments	-	-	3,276	-
Miscellaneous	75,916	-	-	-
Total receipts	1,046,019	211,233	165,895	280,992
Disbursements:				
Operating:				
Public safety	209,894	-	105,321	-
Public works	185,667	169,123	29,358	-
Culture and recreation	161,299	-	-	-
Community and economic development	204,273	-	-	-
General government	154,693	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	915,826	169,123	134,679	-
Excess (deficiency) of receipts over (under) disbursements	130,193	42,110	31,216	280,992
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	(5,300)	-	-	(267,000)
Total other financing sources (uses)	(5,300)	-	-	(267,000)
Net change in cash balances	124,893	42,110	31,216	13,992
Cash balances beginning of year	(562,862)	110,901	183,543	(59,714)
Cash balances end of year	\$ (437,969)	153,011	214,759	(45,722)
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -	153,011	107,379	-
Safety	-	-	107,380	-
Debt Service	-	-	-	-
Other Purposes	-	-	-	-
Unassigned	(437,969)	-	-	(45,722)
	\$ (437,969)	153,011	214,759	(45,722)

See notes to financial statements

Exhibit B

Debt Service	Capital Projects	Nonmajor	Total
79,976	-	218,232	\$ 757,826
-	-	-	280,992
-	-	-	162,619
-	-	-	1,452
-	-	-	5,471
-	-	1,452	4,390
-	-	-	538,507
-	-	-	173,350
-	-	-	3,276
-	55,337	-	131,253
79,976	55,337	219,684	2,059,136
-	-	133,461	448,676
-	-	28,326	412,474
-	-	6,113	167,412
-	-	-	204,273
-	-	52,326	207,019
325,897	-	-	325,897
-	5,883	-	5,883
325,897	5,883	220,226	1,771,634
(245,921)	49,454	(542)	287,502
267,000	-	5,300	272,300
-	-	-	(272,300)
267,000	-	5,300	-
21,079	49,454	4,758	287,502
997	134,704	(47,742)	(240,173)
22,076	184,158	(42,984)	\$ 47,329
-	-	-	\$ 260,390
-	-	-	107,380
22,076	17,100	-	39,176
-	167,058	-	167,058
-	-	(42,984)	(526,675)
22,076	184,158	(42,984)	\$ 47,329

City of Postville

Exhibit C

City of Postville

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2012

	Enterprise			
	Water	Sewer	Nonmajor	Total
Operating receipts:				
Charges for service	\$ 535,301	487,653	35,058	\$ 1,058,012
Miscellaneous	13,910	341,018	-	354,928
Total operating receipts	549,211	828,671	35,058	1,412,940
Operating disbursements:				
Business type activities	353,379	220,989	11,160	585,528
Excess of operating receipts over operating disbursements	195,832	607,682	23,898	827,412
Non-operating receipts (disbursements)				
Interest on investments	5,947	3,188	-	9,135
Debt Service	(180,724)	(404,576)	-	(585,300)
Total non-operating receipts (disbursements)	(174,777)	(401,388)	-	(576,165)
Net change in cash balances before capital contributions	21,055	206,294	23,898	251,247
Capital contributions	-	-	-	-
Net change in cash balances	21,055	206,294	23,898	251,247
Cash balances beginning of year	1,025,236	1,120,749	163,812	2,309,797
Cash balances end of year	\$ 1,046,291	\$ 1,327,043	\$ 187,710	\$ 2,561,044
Cash Basis Fund Balances				
Restricted for debt service	\$ 170,778	404,004	-	\$ 574,782
Unrestricted	875,513	923,039	187,710	1,986,262
Total cash basis fund balances	\$ 1,046,291	\$ 1,327,043	\$ 187,710	\$ 2,561,044

See notes to financial statements.

City of Postville

City of Postville

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

The City of Postville is a political subdivision of the State of Iowa located in Allamakee and Clayton Counties. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Postville has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Postville (the primary government) and exclude the City's component unit. The component unit discussed below is not included in the City's reporting entity.

Excluded Component Unit

The Postville Volunteer Fire Department, Inc. has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504C of the Code of Iowa, for the purpose of aiding in extinguishing fires and performing such other duties as set forth by the Postville Fire Department. The Postville Volunteer Fire Department, Inc. meets the definition of a component unit which should be blended, but has declined to make its financial data available to the City. As a result, the component unit which should be blended has been excluded from the financial statements.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following boards and commissions: Allamakee County Assessor's Conference Board, Allamakee County Emergency Management Commission and Allamakee County E911 Joint Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor governmental or proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for local option sales tax received and its uses.

The Tax Increment Financing Fund is used to account for the urban renewal projects financed by tax increment financing.

The Debt Service Fund is used to account for payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursements toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements did not exceed the amount budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, general obligation notes and child care facility, water and sewer revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds		General Obligation Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	140,000	36,265	115,000	36,798	345,092	238,823	600,092	311,886
2014	145,000	29,965	115,000	30,900	353,060	224,681	613,060	285,546
2015	155,000	23,295	45,000	24,965	366,601	209,840	566,601	258,100
2016	160,000	16,010	45,000	21,950	380,312	194,491	585,312	232,451
2017	170,000	8,330	50,000	18,935	389,954	177,769	609,954	205,034
2018-2022	-	-	225,000	40,230	1,977,255	628,935	2,202,255	669,165
2023-2027	-	-	-	-	1,661,168	192,994	1,661,168	192,994
2028-2032	-	-	-	-	44,994	34,746	44,994	34,746
2033-2037	-	-	-	-	55,613	24,127	55,613	24,127
2038-2042	-	-	-	-	68,743	10,998	68,743	10,998
2043	-	-	-	-	15,286	662	15,286	662
Total	\$ 770,000	\$ 113,865	595,000	173,778	5,658,078	1,938,066	\$ 7,023,078	\$ 2,225,709

USDA Child Care Facility Revenue Capital Loan Notes – The City previously issued \$300,000 of Child Care Facility Revenue Capital Loan Notes, Series 2003 (Notes) approved by City resolution number 841 dated April 14, 2003. Certain provisions of the Notes were amended by City resolution number 848 dated July 14, 2003. The Notes were issued to provide financing for construction of a Child Care Facility (Facility).

Pursuant to the amended resolution, the Notes are payable to the U.S. Department of Agriculture (USDA) in monthly installments of \$1,329, including interest at 4.25% per annum. During the year ended June 30, 2012, principal payments to the USDA totaled \$4,191, leaving a principal balance at June 30, 2012 of \$274,330.

The amended resolution providing for the issuance of the revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the Facility and the note holders hold a lien on the future earnings of the Facility.
- (b) Sufficient monthly transfers shall be made to a Child Care Facility Revenue Note and Interest Sinking Fund (Sinking Fund) for the purpose of making the note principal and interest payments when due.
- (c) A Child Care Facility Revenue Debt Service Reserve shall be established. The City has funded the reserve by setting aside \$17,100 in the Capital Projects Fund. This account is restricted for the purpose of paying principal and interest on the notes.
- (d) A Child Care Facility Improvement Fund shall be established for the purpose of paying principal and interest when there is insufficient money in the sinking and reserve funds and extraordinary maintenance and repairs, as needed.

In conjunction with the issuance of the Notes, the City entered into a Joint Agreement Regarding Child Care Center (28E agreement) with the Postville Community School District (District) whereby the District provided the land for the City to construct the Facility. The City also entered into a Management Agreement with Postville Child Care Services, Incorporated (PCCS) for management of the Facility. According to the Management Agreement with the City and PCCS, which operates the Facility, PCCS is responsible for the pledged receipts and maintaining sufficient receipts to pay disbursements and principal and interest. However, according to an amendment to the management agreement, due to economic conditions in the community, the City is willing to make contributions to PCCS if it is determined there is a shortfall in receipts to pay disbursements for principal and interest and the City Administrator determines it is necessary based on conditions noted in the amendment.

Water Revenue Notes – The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,700,000 of water revenue notes issued in May 2005. Proceeds from the notes provided financing for the construction of improvements to the municipal water utility. The notes are payable solely from water customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the notes is \$1,896,873. Annual principal and interest payments on the water revenue notes are expected to require 87 percent of net receipts. For the current year, principal and interest paid and total customer net receipts were \$169,943 and \$195,832, respectively.

The resolution providing for the issuance of the water revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a water revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) A separate water revenue note reserve account shall be established. The City has funded the reserve at \$170,000. The account is to be used solely for the purpose of paying principal and interest on the notes.

Sewer Revenue Refunding Notes

On February 1, 2007, the City issued \$640,000 of sewer revenue refunding notes. The City entered into an escrow agreement with Bankers Trust Company, N.A. and deposited a portion of the proceeds from the refunding notes. The proceeds were used to advance refund \$600,000 of the 1999 sewer revenue bonds on the call date of June 1, 2008.

The resolution providing for the issuance of the sewer revenue refunding notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) A separate sewer revenue note reserve account shall be established. The City has funded the reserve at \$69,100. The account is to be used solely for the purpose of paying principal and interest on the notes.

USDA Rural Development Sewer Revenue Note – The City issued a sewer revenue note totaling \$4,520,000 on February 8, 2007 to defray a portion of the cost of constructing a sewer treatment plant. The note is payable to the U.S. Department of Agriculture (USDA) in semi-annual installments of \$167,060, including interest at 4.125% per annum, due on June 1 and December 1 of each year. During the year ended June 30, 2012, the City paid principal of \$182,796 to the USDA, leaving a balance due at June 30, 2012 of \$3,568,748.

The resolution providing for the issuance of the sewer revenue note includes the following provisions:

- (a) The note will only be redeemed from the future earnings of the enterprise activity and the note holder holds a lien on the future earnings of the funds.
- (d) Sufficient monthly transfers shall be made to a sewer revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) A sewer reserve account shall be established. Annually, there shall be deposited in the sewer reserve account an amount equal to 25 percent of the sewer reserve account requirement. This account is restricted for the purpose of paying principal and interest when funds in the sinking account are inadequate.
- (d) An improvement account shall be established for the purpose of paying principal and interest when there is insufficient money in the sinking and reserve accounts and extraordinary maintenance and repairs, as needed.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the \$640,000 of sewer revenue refunding notes and the \$4,520,000 sewer revenue note. The notes are payable solely from sewer customer net receipts and are payable through 2027. The total principal and interest remaining to be paid on the notes is \$5,204,884. Annual principal and interest payments on the sewer revenue notes are expected to require 66 percent of net receipts. For the current year, principal and interest paid and total customer net receipts were \$404,075 and \$607,682, respectively.

Lease Purchase Agreement

On December 20, 2002, the City entered into a lease purchase agreement with interest at 9.75% per annum for street lighting and improvements. Annual debt service requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	32,825	4,783	37,608
2014	23,345	3,172	26,517
Total	\$ 56,170	7,955	\$ 64,125

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$48,382, \$40,355 and \$38,657, respectively, equal to the required contributions for each year.

(5) Other Post Employment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 11 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$595 for single coverage, \$1,127 for employee/dependent coverage, \$1,219 for employee/spouse coverage and \$1,827 for family coverage. For the year ended June 30, 2012, the City contributed 100% of the plan membership cost of \$155,678.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, personal leave and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, personal leave and sick leave payable to employees at June 30, 2012, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 23,631
Sick leave	157,353
Total	<u>\$ 180,984</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Health Care	General	5,300
Debt Service	TIF	<u>267,000</u>
Total		<u>\$ 272,300</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2012 were \$54,123.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the

respective individual member. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Lease Purchase Agreement Receivable

On May 1, 2002, the City entered into a lease purchase agreement with AgriProcessors, Inc. for exclusive use of the City's lagoons. The lease was for \$500,000 that will amortize over a fifteen year period, at which the time the lease concludes, the City will convey all rights, titles and interests of the Lagoon System to AgriProcessors. SHF Industries, LLC has purchased selected assets of AgriProcessors. SHF has assumed the agreements between the City and AgriProcessors. The City agreed to establish an annual depreciation reserve amount of \$20,483. The City's annual receivables from SHF are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	35,276	15,355	50,631
2014	37,452	13,180	50,632
2015	39,761	10,870	50,631
2016	42,214	8,418	50,632
2017	44,817	5,814	50,631
2018	47,582	3,049	50,631
2019	24,720	437	25,157
Total	<u>\$ 271,822</u>	<u>57,123</u>	<u>\$ 328,945</u>

(10) Community Economic Betterment Account (CEBA)

The City entered into a forgivable loan agreement dated October 19, 2006 with the Iowa Department of Economic Development for \$70,000. The proceeds were received during the year ended June 30, 2007 and loaned to a local business to assist with economic development. The local business agreed to a \$20,000 loan with monthly payments of \$333 beginning September 1, 2007 payable to the Iowa Department of Economic Development. The term of the loan is 5 years with no interest. Also, the local business agreed to create at least 4 full time positions and retain 14 full time positions. The forgivable loan is for \$50,000 at no interest unless an event of default occurs.

As of June 30, 2012, the local business is in compliance with the job creation/retention requirement.

(11) Deficit Balances

The General Fund and Special Revenue, Tax Increment Financing, Employee Benefits, Emergency and Health Care/Ambulance Funds had deficit balances of, \$437,969, \$45,722, \$18,760, \$20,824 and \$3,400, respectively, at June 30, 2012. The City will continue to monitor and reduce disbursements as possible to return the funds to a positive account balance.

(12) Litigation

The City is not subject to any pending litigation at this time.

(13) Waste Management

During the year ended June 30, 2012, the City of Postville paid Waste Management \$139,540. The sanitation company is then responsible for paying all landfill fees.

(14) Subsequent Events

On August 29, 2012, the City issued \$1,010,000 of general obligation notes and in September signed a contract with Mississippi Valley Pump for \$1,450/year to service the lift stations.

City of Postville

City of Postville
 Budgetary Comparison Schedule
 of Receipts, Disbursements and Changes in Balances-
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Other Information
 Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 757,826	-	\$ 757,826
Tax increment financing	280,992	-	280,992
Other city tax	164,071	-	164,071
Licenses and permits	5,471	-	5,471
Use of money and property	4,390	9,135	13,525
Intergovernmental	538,507	-	538,507
Charges for service	173,350	1,058,012	1,231,362
Special assessments	3,276	-	3,276
Miscellaneous	131,253	354,928	486,181
Total receipts	<u>2,059,136</u>	<u>1,422,075</u>	<u>3,481,211</u>
Disbursements:			
Public safety	448,676	-	448,676
Public works	412,474	-	412,474
Culture and recreation	167,412	-	167,412
Community and economic development	204,273	-	204,273
General government	207,019	-	207,019
Debt service	325,897	-	325,897
Capital projects	5,883	-	5,883
Business type activities	-	1,170,828	1,170,828
Total disbursements	<u>1,771,634</u>	<u>1,170,828</u>	<u>2,942,462</u>
Excess (deficiency) of receipts over (under) disbursements	287,502	251,247	538,749
Balances beginning of year	<u>(240,173)</u>	<u>2,309,797</u>	<u>2,069,624</u>
Balances end of year	<u>\$ 47,329</u>	<u>\$ 2,561,044</u>	<u>\$ 2,608,373</u>

See accompanying independent auditor's report.

Budgeted Amounts	Final	Final to Total Variance
\$ 731,291		\$ 26,535
385,000		(104,008)
322,007		(157,936)
7,650		(2,179)
20,760		(7,235)
523,662		14,845
1,469,150		(237,788)
4,000		(724)
512,732		(26,551)
<u>3,976,252</u>		<u>(495,041)</u>
469,750		21,074
587,650		175,176
197,294		29,882
254,000		49,727
263,950		56,931
326,202		305
150,000		144,117
1,353,669		182,841
<u>3,602,515</u>		<u>660,053</u>
373,737		165,012
<u>2,184,055</u>		<u>(114,431)</u>
<u>\$ 2,557,792</u>		<u>\$ 50,581</u>

Other Information

City of Postville

Notes to Other Information – Budgetary Reporting

June 30, 2012

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the component unit which should be blended. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the budget was not amended.

During the year ended June 30, 2012, disbursements did not exceed the amount budgeted.

Supplementary Information

Schedule 1

City of Postville
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2012

	Special Revenue			
	Employee Benefits	Emergency	Health Care/ Ambulance	Total
Receipts:				
Property tax	\$ 204,420	13,812	-	\$ 218,232
Use of money and property	-	7	1,445	1,452
Total receipts	204,420	13,819	1,445	219,684
Disbursements:				
Operating:				
Public safety	104,561	21,100	7,800	133,461
Public works	28,326	-	-	28,326
Culture and recreation	6,113	-	-	6,113
General government	52,326	-	-	52,326
Total disbursements	191,326	21,100	7,800	220,226
Deficiency of receipts under disbursements	13,094	(7,281)	(6,355)	(542)
Other financing sources:				
Operating transfers in	-	-	5,300	5,300
Net change in cash balances	13,094	(7,281)	(1,055)	4,758
Cash balances beginning of year	(31,854)	(13,543)	(2,345)	(47,742)
Cash balances end of year	\$ (18,760)	\$ (20,824)	\$ (3,400)	\$ (42,984)
Cash Basis Fund Balances				
Unassigned	\$ (18,760)	(20,824)	(3,400)	\$ (42,984)
	\$ (18,760)	(20,824)	(3,400)	\$ (42,984)

See accompanying independent auditor's report.

Supplementary Information

Schedule 2

City of Postville
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds
As of and for the year ended June 30, 2012

	Enterprise		
	Storm Water		
	Lagoon	Utility	Total
Operating receipts:			
Charges for Service	\$ -	35,058	\$ 35,058
Operating disbursements:			
Business type activities	-	11,160	11,160
Excess of operating receipts over Operating disbursements	-	23,898	23,898
Cash balances beginning of year	49,930	113,882	163,812
Cash balances end of year	\$ 49,930	137,780	\$ 187,710
Cash Basis Fund Balances			
Unrestricted	\$ 49,930	137,780	\$ 187,710
	49,930	137,780	187,710

See accompanying independent auditor's report.

City of Postville
Schedule of Indebtedness
Year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Refunding	Jun 1, 2002	3.90-4.90%	\$ 1,700,000
General obligation notes:			
Refunding	Dec 1, 1998	4.20-4.50%	\$ 900,000
Capital loan	Aug 1, 2006	6.10-6.95%	610,000
Total			
Revenue notes:			
Child care facility	July 28, 2003	4.25%	\$ 300,000
Water	May 1, 2005	3.70-5.10%	1,700,000
Sewer refunding	Feb 1, 2007	3.90-4.45%	640,000
Sewer	Feb 8, 2007	4.125%	4,520,000
Total			
Lease purchase agreement:			
Street lighting	Dec 20, 2002	9.75%	\$ 242,000

See accompanying independent auditor's report

Schedule 3

Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid
905,000	135,000	\$ 770,000	\$ 42,205
220,000	70,000	150,000	9,793
480,000	35,000	445,000	32,325
700,000	105,000	\$ 595,000	\$ 42,118
278,521	4,191	274,330	\$ 11,757
1,500,000	100,000	1,400,000	69,943
465,000	50,000	415,000	19,947
3,751,544	182,796	3,568,748	151,332
5,995,065	336,987	\$ 5,658,078	\$ 252,979
86,031	29,861	\$ 56,170	\$ 7,750

City of Postville
Bond and Note Maturities
June 30, 2012

Year Ending June 30,	General Obligation Bonds		General Obligation Notes				
	Refunding		Refunding		Capital Loan		
	Issued Jun 1, 2002		Issued Dec 1, 1998		Issued Aug 1, 2006		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
2013	4.50	140,000	4.45	75,000	6.40	40,000	115,000
2014	4.60	145,000	4.50	75,000	6.40	40,000	115,000
2015	4.70	155,000		-	6.70	45,000	45,000
2016	4.80	160,000		-	6.70	45,000	45,000
2017	4.90	170,000		-	6.70	50,000	50,000
2018		-		-	6.90	50,000	50,000
2019		-		-	6.90	55,000	55,000
2020		-		-	6.90	60,000	60,000
2021		-		-	6.95	60,000	60,000
2022		-		-		-	-
2023		-		-		-	-
2024		-		-		-	-
2025		-		-		-	-
2026		-		-		-	-
2027		-		-		-	-
2028		-		-		-	-
2029		-		-		-	-
2030		-		-		-	-
2031		-		-		-	-
2032		-		-		-	-
2033		-		-		-	-
2034		-		-		-	-
2035		-		-		-	-
2036		-		-		-	-
2037		-		-		-	-
2038		-		-		-	-
2039		-		-		-	-
2040		-		-		-	-
2041		-		-		-	-
2042		-		-		-	-
2043		-		-		-	-
Total		\$ 770,000		150,000		445,000	\$ 595,000

See accompanying independent auditor's report.

Schedule 4

Revenue Notes								
Child Care Facility		Water		Sewer Refunding		Sewer		Total
Issued July 28, 2003		Issued May 1, 2005		Issued Feb 1, 2007		Issued Feb 8, 2007		
Interest		Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
4.25	4,372	4.10	100,000	4.15	50,000	4.125%	190,720	345,092
4.25	4,561	4.20	100,000	4.20	50,000	4.125%	198,498	353,059
4.25	4,759	4.30	100,000	4.25	55,000	4.125%	206,843	366,602
4.25	4,964	4.50	100,000	4.30	60,000	4.125%	215,348	380,312
4.25	5,179	4.60	100,000	4.35	60,000	4.125%	224,775	389,954
4.25	5,403	4.70	100,000	4.40	70,000	4.125%	234,041	409,444
4.25	5,636	4.75	105,000	4.45	70,000	4.125%	243,879	424,515
4.25	5,881	4.80	110,000	-	-	4.125%	254,004	369,885
4.25	6,135	4.90	110,000	-	-	4.125%	264,928	381,063
4.25	6,401	4.95	110,000	-	-	4.125%	275,947	392,348
4.25	6,677	5.00	115,000	-	-	4.125%	287,548	409,225
4.25	6,966	5.05	120,000	-	-	4.125%	299,583	426,549
4.25	7,268	5.10	130,000	-	-	4.125%	312,271	449,539
4.25	7,582	-	-	-	-	4.125%	360,363	367,945
4.25	7,910	-	-	-	-	-	-	7,910
4.25	8,253	-	-	-	-	-	-	8,253
4.25	8,610	-	-	-	-	-	-	8,610
4.25	8,983	-	-	-	-	-	-	8,983
4.25	9,372	-	-	-	-	-	-	9,372
4.25	9,777	-	-	-	-	-	-	9,777
4.25	10,200	-	-	-	-	-	-	10,200
4.25	10,642	-	-	-	-	-	-	10,642
4.25	11,103	-	-	-	-	-	-	11,103
4.25	11,584	-	-	-	-	-	-	11,584
4.25	12,085	-	-	-	-	-	-	12,085
4.25	12,608	-	-	-	-	-	-	12,608
4.25	13,154	-	-	-	-	-	-	13,154
4.25	13,723	-	-	-	-	-	-	13,723
4.25	14,318	-	-	-	-	-	-	14,318
4.25	14,938	-	-	-	-	-	-	14,938
4.25	15,286	-	-	-	-	-	-	15,286
\$ 274,330		1,400,000		415,000		3,568,748		\$ 5,658,078

City of Postville

Schedule of Receipts by Source and Disbursement by Function

All Governmental Funds

For the Last Ten Years

	2012	2011	2010	2009
Receipts:				
Property tax	\$ 757,826	\$ 705,368	\$ 660,250	\$ 494,150
Local option sales tax	280,992	273,883	199,031	182,194
Tax increment financing	162,619	236,815	177,075	110,338
Other city tax	1,452	1,612	1,691	1,476
Licenses and permits	5,471	9,091	10,230	5,375
Use of money and property	4,390	10,878	10,294	12,909
Intergovernmental	538,507	424,786	440,793	1,021,131
Charges for service	173,350	192,012	191,402	162,911
Special assessments	3,276	3,034	6,036	3,250
Miscellaneous	131,253	231,054	164,383	74,159
Total	\$ 2,059,136	\$ 2,088,533	\$ 1,861,185	\$ 2,067,893
Disbursements:				
Operating:				
Public safety	\$ 448,676	\$ 445,643	\$ 391,235	\$ 412,223
Public works	412,474	600,668	426,324	411,805
Culture and recreation	167,412	359,710	191,113	155,681
Community and economic development	204,273	386,886	269,140	631,627
General government	207,019	255,255	206,772	235,478
Debt service	325,897	326,297	325,830	320,115
Capital projects	5,883	27,354	24,622	92,064
Total	\$ 1,771,634	\$ 2,401,813	\$ 1,835,036	\$ 2,258,993

See accompanying independent auditor's report.

Schedule 5

2008	2007	2006	2005	2004	2003
\$ 640,224	\$ 622,672	\$ 596,806	\$ 601,959	\$ 591,367	\$ 503,421
162,448	180,431	154,350	152,472	136,362	127,006
260,799	253,785	136,429	140,963	38,406	69,220
1,545	1,553	2,074	2,095	1,921	16,180
6,868	10,960	7,607	6,190	7,117	10,130
22,953	16,179	29,827	33,549	42,937	34,417
201,426	392,657	2,122,705	4,313,858	618,058	679,959
170,731	145,263	139,560	143,301	130,927	109,517
12,278	6,175	7,293	73,973	15,702	8,440
188,508	103,163	386,255	253,278	154,350	187,864
<u>\$ 1,667,780</u>	<u>\$ 1,732,838</u>	<u>\$ 3,582,906</u>	<u>\$ 5,721,638</u>	<u>\$ 1,737,147</u>	<u>\$ 1,746,154</u>
\$ 396,159	\$ 356,384	\$ 350,573	\$ 343,843	\$ 311,710	\$ 292,179
392,742	400,510	352,049	367,570	388,450	352,294
160,046	201,829	132,571	134,690	127,302	137,258
9,493	86,651	4,943	176,964	183,221	57,486
262,795	263,622	677,853	383,205	371,080	200,384
328,905	288,444	256,132	251,572	153,698	150,698
223,704	4,904,965	4,055,279	8,854,246	976,055	2,377,674
<u>\$ 1,773,844</u>	<u>\$ 6,502,405</u>	<u>\$ 5,829,400</u>	<u>\$ 10,512,090</u>	<u>\$ 2,511,516</u>	<u>\$ 3,567,973</u>

City of Postville

Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Postville, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 9, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the City of Postville is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Postville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Postville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Postville's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Postville's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying

Schedule of Findings as items II-A-12 and II-B-12 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings as items II-C-12 to be a significant deficiency.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City of Postville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Postville's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Postville's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Postville and other parties to whom the City of Postville may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Postville during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


Lou Ann Murphy & Company, P.L.L.C.
Certified Public Accountant
Osage, Iowa
November 9, 2012

City of Postville

Schedule of Findings

Year ended June 30, 2012

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

City of Postville

Schedule of Findings

Year ended June 30, 2012

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- II-A-12 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, all incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.

Response – The City will continue to monitor office staff so duties are segregated amongst the small staff.

Conclusion – Response accepted.

- II-B-12 Petty Cash – The City has two petty cash drawers that were not recorded on the books. Petty cash is used for making change when customers pay their bills in cash and for the payment of minor supplies such as postage.

Recommendation – The City should maintain a designated balance in petty cash and record that on the books.

Response – We will do so.

Conclusion – Response accepted.

- II-C-12 Invoices – Invoices were not properly cancelled to prevent use.

Recommendation – Checks should be prepared only from invoices. The invoices should then be marked “paid” to prevent making duplicate payments.

Response – We will do so in the future.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Postville

Schedule of Findings

Year ended June 30, 2012

Part III: Other Findings Related to Required Statutory Reporting:

III-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amount budgeted.

III-B-12 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

III-C-12 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-12 Business Transactions – No business transactions between the City and City officials or employees were noted.

III-E-12 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-12 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not. The City's minutes were published in accordance with Chapter 372.13(6) of the Code of Iowa, however, the minutes kept for the Library and Pool do not show approval of expenditures, and therefore were not published in accordance with the Code of Iowa.

Recommendation – The City should maintain a list of expenditures for the Library and Pool in the minutes, as well as publishing the expenditures as required by the Code of Iowa.

Response – The City will maintain and publish the required information for the Library and Pool along with the City's posted minutes.

Conclusion – Response accepted.

III-G-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

III-H-12 Financial Condition – At June 30, 2012, The General Fund and Special Revenue, Tax Increment Financing, Employee Benefits, Emergency and Health Care/Ambulance Funds had deficit balances of \$437,969, \$45,722, \$18,760, \$20,824 and \$3,400, respectively.

Recommendation – The City should investigate alternatives to eliminate these deficits and return these funds to a sound financial position.

Response – The deficit balances reflected are due to unpaid property tax owed to the City. The Council will continue to monitor and reduce disbursements as possible to return the funds to a positive account balance.

Conclusion – Response accepted.

City of Postville
Schedule of Findings

Year ended June 30, 2012

III-I-12 Bank Statements – The bank is sending statements as of June 25, 2012 instead of June 30, 2012. Although the reconciliations prove accurate, it would be more accurate if the bank could send the confirming year end bank statement as of June 30, 2012.

Recommendation – The City should check with the bank to see if there is a solution to this issue.

Response – We will contact the bank.

Conclusion – Response accepted.